



## **Idaho Endowment Trust Lands Frequently Asked Questions (FAQs)**

### ***GROWING FUNDS FOR IDAHO EDUCATION: THE NEXT 100 YEARS***

#### **The Idaho Endowment Trust Lands**

##### **What are endowment trust lands and how are they different from “public” lands?**

Endowment trust lands are tracts of land granted to states when they achieved statehood. These trust lands were to help the new states support education.

Idaho's endowment trust lands are to be managed solely to *secure the maximum long term financial return to the beneficiary institutions*. These lands are not managed for use by the general public; they are managed for public education and the other designated beneficiaries.

##### ***Endowment Lands***

Clear mission

vs.

##### ***Public Lands***

Multiple-use mission

Maximize financial returns  
to specific trust beneficiaries'

vs.

Maximize benefits for  
the general public

Public use cannot constrain  
Primary mission

vs.

Public use primary

##### **Who is responsible for managing endowment trust lands?**

The constitution names the Idaho Board of Land Commissioners as the sole trustee of all endowment assets, both land and financial. It consists of the Governor, Secretary of State, Attorney General, Superintendent of Public Instruction and the State Controller. As trustees, they have responsibility under trust law to act in the best interest of the endowment beneficiaries in all decisions.

##### **Who is the single largest trust beneficiary of both the land and financial assets?**

Public Schools (K-12) are the largest beneficiary. There are nine separate endowments and 14 legal beneficiaries. Each trust must be self-sustaining and does not receive general fund tax dollars to support management expense.

##### **How much revenue is generated annually from endowment trust lands?**

The endowment trust land generates gross revenue totaling about \$45-75 million annually for the trust – depending on market cycles.



## **Management of the Idaho Endowment Trust Lands**

### **What is the endowment trust fund?**

Endowment assets of the State of Idaho consist of both land and financial instruments. All endowment assets are held in trust by the State in nine endowment trusts. The State initially received grants of over 3.65 million acres of land in trust from the federal government in the Idaho 1890 Admissions Bill and through other federal acts. Over time, properties have been sold or exchanged, with proceeds from the sales and certain other income deposited in the various endowment funds.

### **How is the trust fund managed?**

The state Constitution establishes the Idaho Board of Land Commissioners (Land Board) as the trustee over the assets of the endowments. As trust manager, the Land Board is obligated to manage the assets of each trust with undivided loyalty to the beneficiaries of the trusts. The fiduciary responsibility of the Land Board is to *maximize the return on investment of the endowment trust lands for the sole benefit of the beneficiaries*. Idaho Code 58-101 created the Idaho Department of Lands (IDL) to serve as the manager of the non-financial assets of each trust on behalf of the Land Board. Similarly, Idaho Code 57-718 created the Endowment Fund Investment Board (EFIB) which formulates policy for, and manages the investment of, the financial assets.

### **What are the advantages to the beneficiaries?**

The Endowment Trust Land operations of the Idaho Department of Lands contribute more to education than any other source, except tax revenue. The mission of the Land Board states the advantages to the beneficiaries most clearly:

All endowment assets of the State of Idaho must, per the state Constitution, be managed *"in such manner as will secure the maximum long term financial return" to the trust beneficiaries. The assets will be managed to provide a perpetual stream of income to the beneficiaries by:*

1. *Maximizing long-term financial return at a prudent level of risk*
2. *Protecting future generations' purchasing power*
3. *Providing a relatively stable and predictable payout*

### **What amount of funds does public education receive from the endowment?**

While there is some fluctuation in the actual net income that goes into the education accounts the distributions remain fairly stable and even increase in economic downturns. The five year average from 2005-2009 for net income is \$50,014,116, annually, with total net income of \$250,070,582. Over a quarter of a billion dollars went to education in the last five years from state endowment land management.



## Challenges to Growing Funds

### What are the challenges in managing these lands?

As the Idaho Land Department began to implement the Land Board's Asset Management Plan (created in 2007), it became evident that certain aspects of the constitution and other existing statutes were not consistent with modern business methods. Land represents 2/3 the value of the trust. Therefore, it is incumbent upon the Land Board to do everything possible to ensure flexibility to allow the *maximizing of the return to beneficiaries*.

### What are we doing to address these challenges?

In April 2009, the Land Board established the Endowment Land Transaction Advisory Committee. Given the nature of the requested constitutional review to determine what language is not in keeping with modern business methods. The Land Board focused on refining land and real estate business transactions to *achieve maximum results* and to be more consistent with the private business sector. To do that, a private business perspective was needed.

### What is the Endowment Land Transaction Advisory Committee's purpose?

- To provide an impartial review of the specific elements of the Idaho State Constitution and the Admission Bill governing transactions of endowment lands.
- To identify impediments to conducting real estate transactions in the 21st century.

### Why is it important for beneficiaries to understand endowment trust lands?

Beneficiaries have an important role to play by holding the trustees accountable. In order to do that:

- Beneficiaries need to know how their assets are being managed.
- Beneficiaries need to know that each trust must be self sustaining.
- Trust managers must have the tools and flexibility to *optimize assets and maximize revenues*.
- Changes to Constitutional language could add flexibility and enhance earning potential for the beneficiaries.

### How can beneficiaries help?

- Advocate for these changes in the community and in the legislature
- Host regional level workshops, board and administrator meetings
- Host meetings with beneficiaries and with associations



## Recommended Changes

### What needs to be changed and why?

In September 2005, the Endowment Reform Review Task Force (Task Force) was formed with the express charge to report back to the Land Board regarding the success (growth) of the endowment. The Idaho Department of Lands and the task force identified a host of issues that prohibit the Board from operating on equal footing with the market and that ultimately could impede the State's ability *to realize the potential intended under endowment reform*. It is the Board's fiduciary responsibility to maximize investment for the benefit of the beneficiaries. The main beneficiary is education!

The Idaho Department of Lands has advanced projects to *maximize return on investment* in keeping with the Board's *Asset Management Plan*. It is evident, however, that certain aspects of the state Constitution and other existing statutes governing land asset transactions are not in keeping with current business methods. There exist hurdles that tend to protract negotiations, create convoluted and awkward contract terms, limit revenue sharing opportunities and even arrest the state's ability to capitalize on current market conditions. In other words, *the maximization of the return on investment* is not and cannot happen effectively under current law. As a prudent trustee, the Board seeks to remedy these inequities.

### How do we make changes?

The Endowment Land Transaction Advisory Committee was formed and made recommendations to change the language of both the Constitution and the Admissions Bill. Also, a key outcome of their work is to use these external citizen experts to assist the Land Board with legislative and public education efforts for the recommended constitutional and Admissions Act changes. Information Outreach Sessions for beneficiaries and other stakeholders began in the fall of 2009. Legislative Information Outreach Sessions began in the winter of 2009. Informational Outreach will soon be expanded to include business and industry, local jurisdictions and the general public.

### What process will be used to educate stakeholder groups about the recommendations for the constitutional changes?

Education efforts are underway to inform Idahoans about how their state endowment trust lands are working for them. To get that message out, the Advisory Committee and the department developed an Information Outreach program. The Idaho Land Board Members, the Idaho Department of Lands management team members, and the Committee are available to make presentations at organizational meetings, conferences and the Governor's "Capitol for a Day." The goal is to insure transparency in the development of these necessary changes in all the work completed between now and when the Constitutional change goes for public vote.

If you are interested in a presentation in district, we can make arrangements to schedule a time for that meeting. Contact us at [speakersbureau@idl.idaho.gov](mailto:speakersbureau@idl.idaho.gov) or call us at the Idaho Department of Lands and ask for Kathy Opp – (208) 334-0200.